

HOUSE COMMITTEE – HOUSE BILL 5901

EXPLANATION OF HOUSE BILL 5901 TO AMEND

1975 PA 197, AN ACT TO PROVIDE FOR ESTABLISHMENT OF A  
DOWNTOWN DEVELOPMENT AUTHORITY

The City of Bad Axe has a population of 3,462, is the county seat of Huron County and is located in the rural agricultural area of the "Thumb" of Michigan.

The Bad Axe Downtown Development Authority was formed in the mid 1980s. It was formed to improve and develop the downtown by adding adequate parking and developing the downtown of the City of Bad Axe into a viable business district. The first project completed by the Bad Axe DDA was development of two off street parking lots at a cost of about \$70,000.

When the Downtown Development Authority was originally formed, there were 11 vacant business buildings in the DDA district. Presently there is only one vacant building.

Some of the projects the DDA has completed over the years include developing off street parking in several areas, doing a streetscape of the main street in the downtown area at a total cost of \$750,000 of which \$300,000 came as a grant and the balance was financed by assessments to the businesses in the DDA district and capture of tax monies. They did a plaza which cost \$35,000 and included closing part of a street, installing benches, flowers, trees, brick walkways, and a gazebo. The most recent project was redoing a side street in the DDA district including street lighting at a cost of \$217,000.

The state audit had not been conducted for a period of five years. When the audits were done by Auditor Harlan Goodrich, it was discovered that the DDA had captured \$97,661 more than they should have captured. Had the audits been conducted as they had been done yearly in the past, the DDA would only owe about \$30,000 and could have easily handled the repayment. Each year prior to this five year audit, the reports were submitted and a Sharon Erwine from the Property Tax Division of the Michigan Department of Treasury would review the reports and if changes were needed, they were made at that time, not waiting for five years to pass. The Downtown Development Authority also relied on bond counsel for the most recent project dated October 1, 2001. Bond counsel did not advise the DDA that the October 1, 2001, loan could not be repaid with captured school tax monies.

With the possibility of having to repay the \$97,661 of incorrectly captured monies, this DDA is out of business. We currently have about \$80,000 of funds in the accounts which include the most recent tax collections. There are currently bills due of \$4,700 and the next installment on the loan of \$26,754 is due in July. The total remaining interest and principal due on the October 1, 2001, loan, which goes Through October 1, 2011, is \$187,278.91.

As you can see, this DDA is out of business for a number of years if they are forced to stop capturing funds in order to pay the yearly payments on this loan.

The Bad Axe DDA is requesting the obligation incurred by the authority on October 1, 2001, that was used to finance a streetscape capital project be approved as reflected in House Bill 5901.